



IOWA DEPARTMENT OF REVENUE PERFORMANCE REPORT

for

Fiscal Year 2014

Courtney M. Kay-Decker

Director

AGENCY OVERVIEW

Mission

The mission of the Iowa Department of Revenue (IDR), as established by Iowa Code Section 421.2, is to serve Iowans and to support government services in Iowa by collecting all taxes required by law, but no more.

Taxes Established by Iowa Code

The taxes and fees administered by IDR include:

Individual Income Tax/Withholding	Consumer's Use Tax	Motor Fuel Taxes
Corporation Income Tax	Retailer's Use Tax	Fiduciary Tax
Partnership Income Tax	Hotel / Motel Tax	Inheritance Tax
Franchise Income Tax	Local Option Sales Tax	Cigarette / Tobacco Tax
Sales Tax	E911 Surcharge Fee	Drug Stamp Tax
Property Tax	Replacement Tax	Real Estate Transfer Tax
One-time Fee for New Vehicle Registration	Car Rental Tax	Moneys & Credits Tax

Vision and Guiding Principles

IDR established the following ***vision*** and ***guiding principles*** in its 2012-2015 Strategic Plan:

Vision

Iowa will be a state where it is easy to understand and comply with tax obligations.

Guiding Principles

Governor Branstad has outlined four goals for his administration, as follows:

- Create 200,000 New Jobs;
- Reduce the Cost of Government by 15%;
- Restore Iowa's Educational System to Number One in the Nation; and
- Increase Family Incomes by 25%.

The Department of Revenue will do its part to support and further those goals. In addition, we have adopted the following Departmental Guiding Principles:

Customer Focus

- We understand that Iowa taxpayers are our number one customers.
- We collaborate and partner with both our internal and external customers.
- We use technology to support our customers more efficiently.
- We maintain the public's confidence by safeguarding our customers' confidential information.

Expertise

- We provide expert advice and support to policymakers and to local and state government entities.
- We help local governments responsibly manage their fiscal resources through our support of the property tax system and distribution of local option taxes.
- We educate and train employees to gain the knowledge needed to perform their jobs the best they can.

Education

- We recognize that Iowa tax laws are complex and will provide the services and education necessary to facilitate compliance.
- We simplify regulations where possible and recommend policy that enhances the ease of taxpayer compliance.

Fiscal Management

- We responsibly manage our financial resources to fulfill our mission.
- We continually monitor and measure our internal processes to assure economy and efficiency, keeping the cost of state government as low as possible.
- We work with the Legislative Branch to recommend fiscally sound legislation that reflects the fiscal obligations of the State.

Core Functions

IDR's core functions are:

TAX COMPLIANCE AND REVENUE COLLECTION. These functions are the most visible portion of our operations. They include educating taxpayers – our customers – on tax laws and regulations, processing tax returns and related documents, and collecting taxes and other amounts due, all in compliance with Iowa's tax laws. It is under this umbrella that IDR conducts its taxpayer examination and audit programs and resolves disputed tax issues.

LOCAL GOVERNMENT ASSISTANCE. IDR also provides resources and education to cities and counties. It is through this function that we administer just and uniform property assessments across the state. IDR also administers programs for property tax relief, local option sales tax, and other local tax programs.

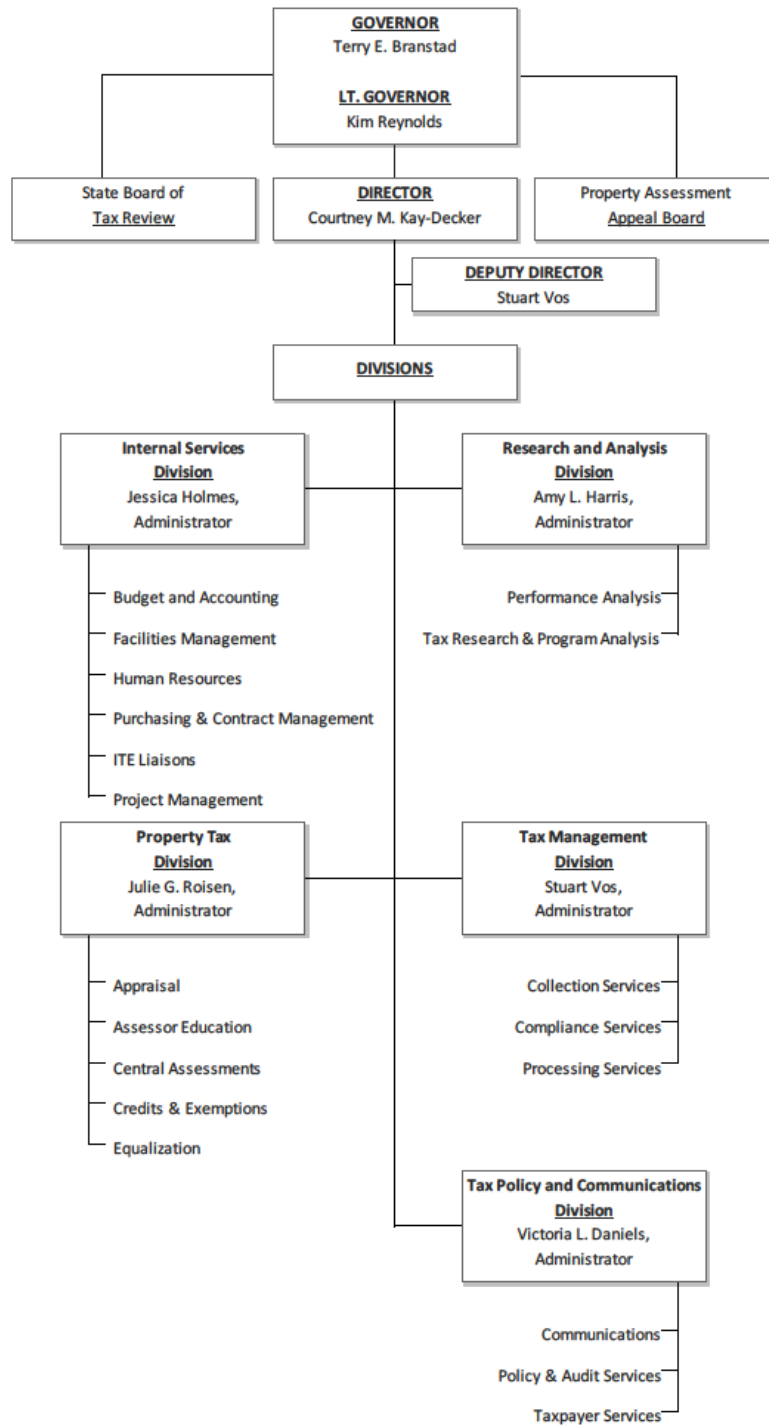
RESEARCH, ANALYSIS, AND INFORMATION MANAGEMENT. IDR provides tax policy development and analysis, fiscal impact estimation, and economic and statistical research and analysis to help customers, stakeholders, and policymakers make informed decisions.

RESOURCE MANAGEMENT. IDR's Internal Services Division provides internal infrastructure support for operations, including technology development and support, personnel management, and budgeting.

Department Operational Units

IDR has five operational units. The following chart is an overview of our primary organizational entities and the services they provide.

IOWA DEPARTMENT OF REVENUE



Customers

IDR's customer base is, by its very nature, one of the largest of Iowa State government agencies. In addition to all persons with Iowa tax responsibilities throughout the state and nation, IDR deals with all levels of state, local, and federal governments, tax practitioners, business groups, state employees, the legislature, and other states' revenue agencies.

IDR deposits over 95% of the state's appropriable receipts. Other state agencies depend on timely deposits to provide the funds they use to operate. Externally, taxpayers expect timely processing of returns and refunds, and that an audit billing is accurate and understandable, among other things.

Each customer expects information and outputs to be disseminated timely, accurately, and clearly. This expectation holds true for both external inquiries and for internally developed reports and information.

Staff

The Director of the Iowa Department of Revenue is Courtney M. Kay-Decker. Director Kay-Decker was appointed by Governor Terry Branstad in January 2011. As of June 30, 2014, IDR had 281 full-time employees. There were six employees in our Sioux City field office and ten employees worked in our Cedar Rapids office. There were 39 teleworkers and the remaining 226 employees were domiciled in Des Moines. All IDR's contract-covered job classifications fall under the AFSCME bargaining agreement.

Goals, Measures and Results

In our Strategic Plan, we identified three goals and a number of strategies to achieve those goals. This Performance Report summarizes our tactical steps toward achieving those goals. In the pages that follow, we highlight five noteworthy achievements. Thereafter, we have summarized the results of each measure identified in our Fiscal Year 2014 Performance Plan.

KEY RESULT

Core Function: Revenue Collections and Compliance

Goal: Provide a consistent, fair, and professional program of collections services.

Description: IDR collects delinquent tax debt and also provides collection services to the Iowa Judicial Branch, Department of Human Services, and Department of Natural Resources. The Collection Enterprise is self-supporting.

Why we are doing this: To provide quality, efficient, and competitive collection services.

What we are doing to achieve results: The Collection Services area of the Tax Management Division completed a major upgrade to its collection software and coordinated that effort with a business process re-engineering designed to maximize the effectiveness of the new software, and utilize nationally recognized best practices.

Results

Performance Measure:

Cost to Collect.

Performance Target:

Ratio of Cost to Collections will be 10% or lower.

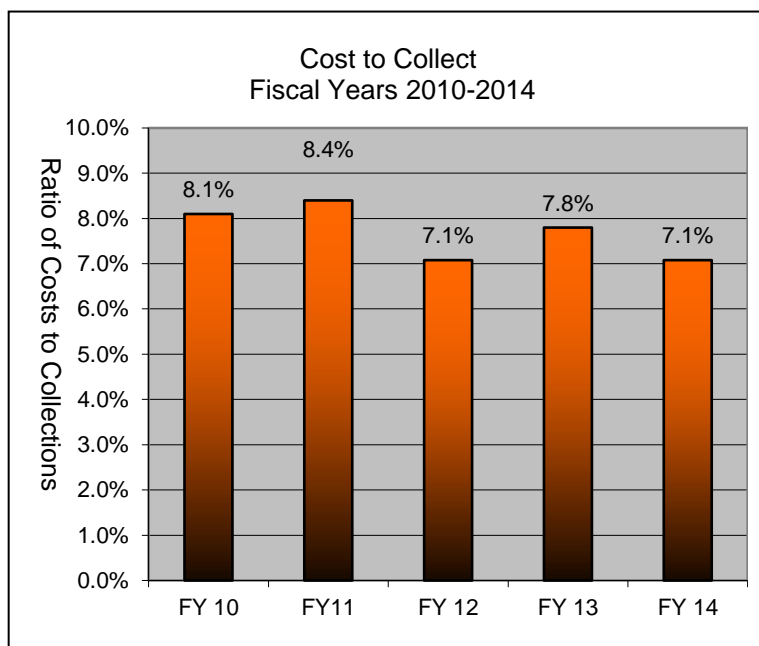
What was Achieved:

The Ratio of Cost to Collections for Fiscal Year 2014 was 7.1%.

This was a decline of 0.7 percentage points from Fiscal Year 2013.

Data Sources:

Collections Annual Report.



KEY RESULT

Core Function: Revenue Collections and Compliance

Goal: We will improve our methods of processing tax returns, payments, and managing tax revenues so that these transactions will be timely, accurate, and cost effective.

Description: Percent of dollars deposited on the same day as receipt.

Why are we doing this: Prudent money management principles require that revenues be deposited as quickly as possible in order to maximize investment proceeds and cash flow and to provide for accurate accounting. The timely deposit of revenues ensures that funds are available for the continued provision of state government services.

What we are doing to achieve results: The Processing Services area of the Tax Management Division deploys strategies to improve deposit of income tax, withholding, and sales tax during high-volume quarterly periods. IDR also provides easy access for electronic deposit for business taxes. Eighty-four percent (84%) of dollars received are deposited the same day. Most of the remaining 16% was deposited the day after receipt, and 99.9% was deposited within 14 days. These generally consist of paper checks that must be manually separated from a return.

Results

Performance Measure:

Percent of dollars deposited on the same day as received.

Performance Target:

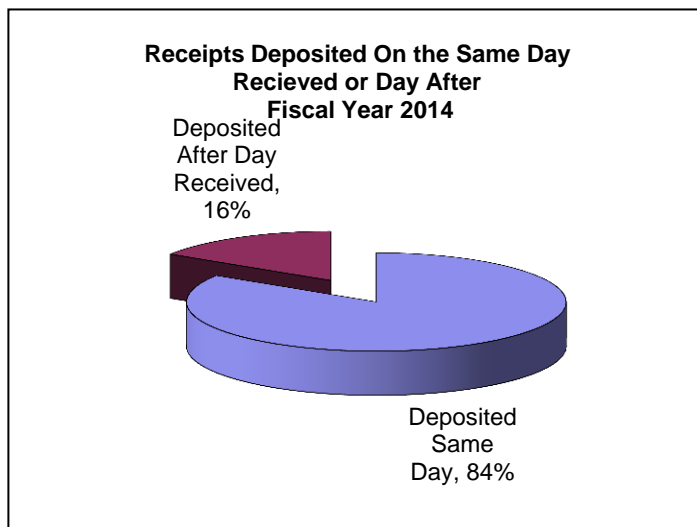
85% of dollars received will be deposited on the same day as received.

What was Achieved:

84% of dollars received by the Department were deposited on the same day as received.

Data Sources:

Tax Management Division reports and information systems.



KEY RESULT

Core Function: Revenue Collections and Compliance

Goal: We will create an environment of collaboration and partnership in order to improve voluntary compliance with Iowa's tax system.

Description: The Compliance Services area of the Tax Management Division reviews returns covering fourteen major taxes established by Iowa law. Employees in this area determine unpaid tax liabilities and bill for the correct amount of tax. Audits are both educational and informative to try to reduce the need for future audits of the same taxpayer.

Why are we doing this: To encourage voluntary compliance with Iowa's tax system.

What we are doing to achieve results: The Tax Management Division integrates internal and external databases to enhance compliance and enforcement.

Results

Performance Measure:

Total revenue collected per dollar spent.

Performance Target:

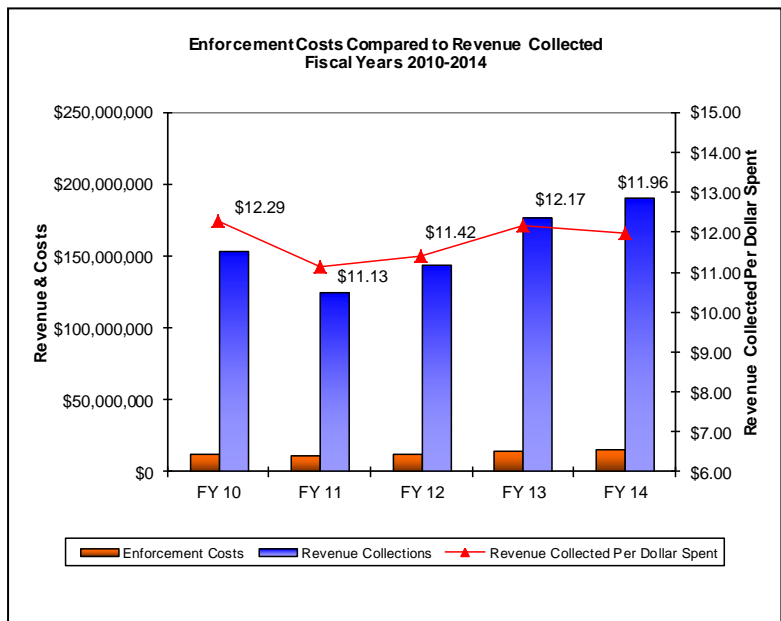
Collect \$9 for every dollar spent on enforcement.

What was Achieved:

IDR collected \$11.96 for every dollar spent on enforcement.

Data Sources:

Compliance Division Return on Investment and Cost Benefits Reports and Business Objects query tools.



KEY RESULT

Core Function: Resource Management

Goal: We will improve our methods of processing tax returns, payments, and managing tax revenues so that these transactions will be timely, accurate, and cost effective.

Description: Increase utilization of electronically-filed income tax programs each year.

Why we are doing this: IDR views electronic filing of tax returns as an effective way to improve our efficiency, while also facilitating more accurate returns for our customers. Where applicable, customers benefit from receiving a tax refund in less time than if they filed a paper return.

What we are doing to achieve results: IDR offers access to individual income tax return software as well as access to free filing websites. The software located on our website has been monitored to assure that it is compatible with our tax forms and systems. In addition, IDR has worked to promote electronic filing to the general public and several key customer groups in cooperation with agencies and non-profit organizations throughout the state.

Results

Performance Measure:

Percent of electronically-filed individual income tax returns.

Performance Target:

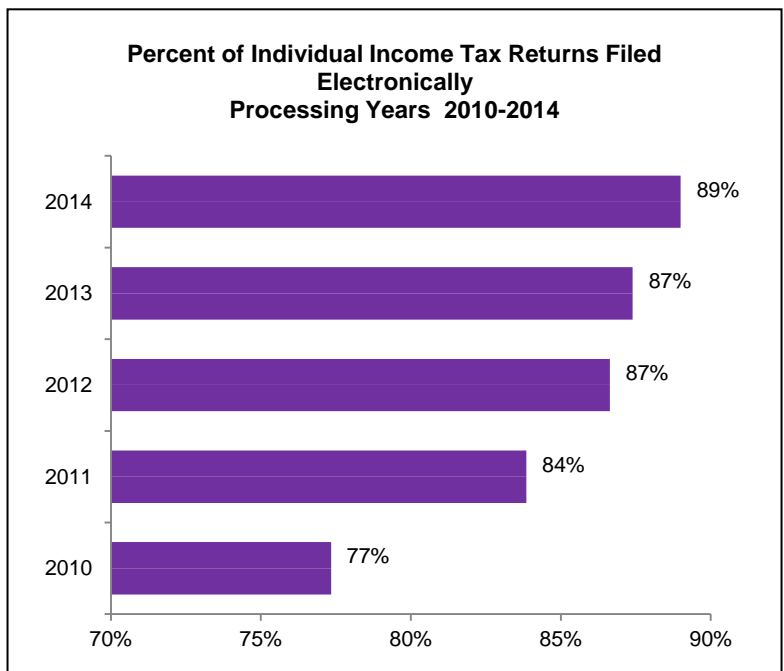
88% of tax year 2014 returns will be filed electronically.

What was Achieved:

IDR received 89% of individual income tax returns electronically.

Data Sources:

IDR information systems.



KEY RESULT

Core Function: Resource Management

Goal: We will improve our methods of processing tax returns, payments, and managing tax revenues so that these transactions will be timely, accurate, and cost effective.

Description: IDR receives and processes over 1.5 million individual income tax returns each year. Some taxpayers must pay additional tax when filing their returns. However, a majority of taxpayers are entitled to refunds. IDR recognizes that taxpayers entitled to refunds prefer having their payments in a timely manner.

Why we are doing this: To serve Iowa taxpayers by processing tax information so that refunds are issued in a timely manner.

What we are doing to achieve results: IDR has two key information systems for processing individual income tax returns. One system is used to process returns filed on paper documents. The other system is for processing electronically-filed returns. IDR monitors the processing efficiency and turn-around time for both systems and continues to promote the quick refund turnaround time as a benefit to taxpayers who file returns electronically. Ninety-five percent of refunds claimed on electronically filed returns are issued in 14 days or less. The remaining five percent of refunds are claimed on returns that must be reviewed for errors.

Results

Performance Measure:

Percent of electronically-filed individual income tax refunds issued within 14 days.

Performance Target:

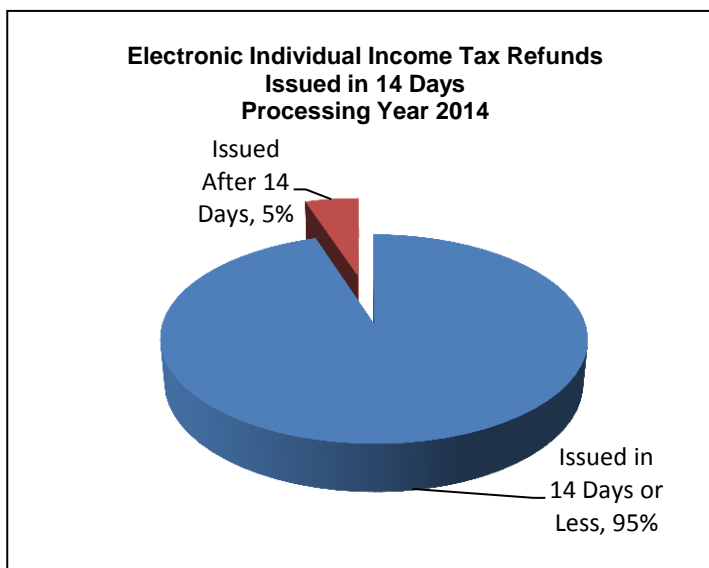
95% of refunds issued in 14 days.

What was Achieved:

95% of refunds were issued in 14 days or less.

Data Sources:

IDR information systems.



Agency Performance Plan Results FY 2014

Name of Agency: Iowa Department of Revenue

Agency Mission: The Iowa Department of Revenue will serve Iowans and support government services in Iowa by collecting all taxes required by law, but no more.

Core Function: Local Government Assistance

Property Tax Division:			
Equalization:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. % of jurisdiction within statutory assessment level tolerance.			
Agricultural	95% to 105%	100%	
Residential	95% to 105%	100%	
Commercial	95% to 105%	100%	
2. Monitor assessing offices in regard to implementation of 2008 Iowa manual.	100%	90%	Continue to review status
3. Provide commercial appraisal services in 2/3 of the state.	Completion of 12 appraisals in all counties with less than 10 sales for commercial property	35%	Appraisal services for slightly over 1/3 of the state were performed at this time.

Agency Performance Plan Results FY 2014

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Core Function: Local Government Assistance (continued)

Appraisals:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percentage of appraisals completed in a timely manner.	100% by 01/01/2014 (576).	100%	
Data Management:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Electronic DOV	100% EDOV implementation by Dec 31, 2013	100%	The management of the DOV process through immediate scanning of receiving mail and data entry from the scanned images is completed. This has afforded the Property Tax Division to be current with received mail. This is the first time in the history of the Property Tax Division that this was possible.
Assessor Education:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Number of assessment officials requiring continuing education.	100% notification (214) by 8/31/2013 and 01/31/2014.	100% (214)	

Agency Performance Plan Results FY 2014

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Core Function: Local Government Assistance (continued)

Credits/Exemptions, Transfer Tax:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percentage of timely responses.	Written policy letter communication with taxpayers and/or local government officials within 1 week. (100%)	80%	Process improvements have been obtained through requiring local government officials to use the ProptTax@iowa.gov e-mail to submit questions to the Department. Questions are disseminated to appropriate personnel and monitored and tracked through a single staff person. While some questions take additional time as a result of legal review the ability to answer and manage the incoming communications has improved as more staff are involved in providing answers.
Central Assessments:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Number of utility and railroad assessments completed.	273	100%(273)	100% of Targets met.
2. Number of replacement tax assessments completed.	189	100%(189)	100% of Targets met.

Agency Performance Plan Results FY 2014

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Core Function: Local Government Assistance (continued)

Local Option Taxes:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of local option sales tax and SAVE timely distributed each year.	95%	100%	
Property Assessment Appeal Board:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Number of protests from Board of Review	350 protests in reassessment years and 50 protests in non-reassessments years.	1,202	
2. Processing time for appeal process.	90% of decisions prior to properties' second delinquency date.	98%	

**Agency Performance Plan Results
FY 2014**

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Core Function: Resource Management

Internal Services Division:			
ITE Liaisons and Project Management:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of utilization of electronic filing program.	88%	89%	
2. Percent of utilization of the Iowa e-file services system (withholding/sales-returns).	98%	98%	
3. Percent of utilization of the Iowa e-file services system (withholding/sales-transactions).	70%	86%	
4. Percent of online system work time availability (IRIS, network, e-file).	99%	99.8%	
5. Percent of time CACCG_S available for work.	99%	97.3%	DAS fire caused significant outages.

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Core Function: Resource Management (continued)

Human Resources:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Employee Training and Orientation	100% of new employees will take orientation class within six months of hire.	100%	
	Train All Employees Soft Skills- 100%	100%	
	Provide technical training for employees- 100%	100%	

Agency Performance Plan Results FY 2014

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Core Function: Revenue Collections and Compliance

Tax Management Division:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of tax revenues received by electronic transfer.	79%	75%	
2. Percent of paper filed individual income tax refunds issued within 60 days.	90%	98%	
3. Percent of electronic filed individual income tax refunds issued within 14 days	95%	95%	
4. Percent of billed accounts resolved within 180 days.	70%	63%	
5. Ratio of costs to collections	10% or <	14.5%	
6. Dollars collected per audit enforcement dollar expended.	\$9.00	\$11.96	

**Agency Performance Plan Results
FY 2014**

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Core Function: Revenue Collections and Compliance (continued)

Processing Services:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of dollars deposited same day as receipt.	85%	84%	
2. Percent of paper income tax returns imaged.	100%	100%	
3. Percent of current year income tax returns will be submitted with machine readable bar codes.	40%	55%	
Collection Services:			
Accounts Receivables			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of net debt collected within 90 days	40%	26%	
2. Dollars of debt collected within 90 days.	\$50,000,000	\$52,174,453	
Central Collections:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of net debt collected within 210 days	50%	41%	
2. Dollars of debt collected within 210 days	\$60,000,000	\$83,051,710	
3. Dollars recovered for clients.	\$50,000,000	\$34,091,328	

Agency Performance Plan Results FY 2014

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Core Function: Revenue Collections and Compliance (continued)

Advanced Collections:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of net debt collected within 365 days	60%	53%	
2. Dollars of debt collected within 365 days	\$75,000,000	\$107,929,926	
Compliance Services:			
Examination			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of revenue established collected	40%	76%	
2. Percentage of tax known due collected.	95%	96%	
3. Percent of income tax returns requiring review worked within 60 days of going to review	70%	85%	

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FY 2014**

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Core Function: Revenue Collections and Compliance (continued)

Audit Services:			
Instate Field Audit			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of revenue established collected.	67%	83%	
Investigative Audit			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of revenue established collected	67%	111%	
Tax Gap Programs			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of revenue established collected	20%	72%	

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FY 2014**

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Core Function: Revenue Collections and Compliance (continued)

Tax Policy and Communications Division:			
Tax Policy			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Percent of contacts within 12 months of receipt of protest.	100%	100%	
2. Percent of protests resolved informally.	40%	40%	
Communications			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
3. Number of tweets and number of recipients	850 tweets and 58,000 recipients	829 tweets, 58,792 recipients	
4. Number of new tweet followers.	200	412	
5. Number of Tax Education Videos Viewed (YouTube).	3,000	7,030	
Taxpayer Services			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
4. Percent of Taxpayer Services Calls Dropped	8% or <	4.8%	
5. Percent of Taxpayer Services calls answered in one minute	65% or >	71.9%	
6. Percent of Taxpayer Services emails answered in one business day	95%	99.9%	

Agency Performance Plan Results FY 2014

Name of Agency: Iowa Department of Revenue

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Core Function: Research, Analysis, and Information Management

Research and Analysis Division:			
Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
1. Statistical Reports completed timely	Individual Mar & May, Sales Tax Quarterly and Annual. 100% timely.	86%	Timely release allowed the Department of Education and school districts to prepare budgets and apply for federal grant money; one quarterly sale tax report was delayed because the Department had dedicated time to improving the industry classification of the businesses to provide more accurate information about economic activity by sector.
2. Receipts and Refunds Report Completed Timely	100% of Monthly reports by end of 2nd Business Day of Next month.	100%	Staff continues to strive to provide DOM additional IDR-specific insight about receipts and refunds that can help better understand patterns and anomalies.
3. REC briefing papers.	Complete Reports in time for DOM-LSA briefing session.	100%	

Agency Performance Plan Results FY 2014

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Core Function: Research, Analysis, and Information Management (continued)

Performance Measure	Performance Target	Performance Actual	Performance Comments & Analysis
4. Iowa Leading Indicators Index	Reports completed accurately with data available.	83%	Two monthly reports were delayed because the federal government shutdown in the fall of 2013 prevent timely release of needed data series.
5. State Fiscal Impact Estimate	According to deadlines set by the Governor and Legislature.	72%	With 126 formal fiscal estimate requests and an additional 30 informal requests during the 2014 Session, staff efforts were directed to the most pressing issues, with an aim to provide support to the staff of the Legislature and Governor as needed.
6. Local Option Estimates	Total local option estimates equal 95% of total local option estimates.	92%	Total local option estimates for the state equaled 92% of state wide collections reported by retailers.
7. Special Tax and Policy Studies	As Requested.		
8. Tax Credits Tracking and Analysis Program	Complete Tax Credit Claims Report by June 1st.		Staff time constraints delayed release until July 2014. The Department has added resources to tax credit review that should improve timeliness for this report in the future.